

**Alameda Landing
Retail Tenant Strategy**

Prepared for:

**Catellus Development
Corporation**

Prepared by:

ALH | ECON

ALH Urban & Regional Economics

September 2012

September 24, 2012

Steve Buster
Catellus Development Corporation
66 Franklin Street, Suite 200
Oakland, CA 94607

Re: Retail Tenant Strategy for Alameda Landing

Dear Mr. Buster:

ALH Urban & Regional Economics is pleased to present this Retail Tenant Strategy for the Alameda Landing project in Alameda, CA. This report includes an Appendix, which includes the report exhibits.

It has been a pleasure working with you on this interesting project. Please let me know if there are any questions or comments on the analysis included herein.

Sincerely,

A handwritten signature in blue ink, appearing to read "Amy L. Herman".

Amy L. Herman, AICP
Principal

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I. INTRODUCTION AND PROPOSED RETAIL PROGRAM

INTRODUCTION

The purpose of this report is to present a retail tenant strategy for the Alameda Landing Retail Shopping Center (referred to as “Project”) in Alameda, California. This 285,000-square-foot shopping center is planned by Catellus Development Corporation (“Catellus”) and is one component of a larger mixed-use waterfront development project that will include residential, retail, and commercial uses. The approved site plan for the shopping center totals 291,000 square feet, inclusive of 6,000 square feet of office space, which is not studied herein.

The Project’s development site is bound by Mariner Square Loop, Fifth Street, Stargell Avenue, and Mitchell Avenue in Alameda. The site is immediately adjacent to the southern portal of the Webster Street tube connecting Alameda to the City of Oakland.

The 285,000-square-foot retail portion of the Alameda Landing shopping center is anticipated to be anchored by a 140,000-square-foot Target store. Specific additional retail tenants have not yet been secured for the shopping center, but current programming efforts suggest they could include a 30,000 - 50,000-square-foot grocer or other similarly large tenant and another 35,000-square-foot mini anchor space. Other prospective tenants could include building materials, apparel & accessories stores, specialty retail stores, restaurants & specialty food stores, furniture & home furnishings stores, and service retail.

The Target store is anticipated to open during fall of 2013. Other retailers may locate and open at the center later, during 2014 or 2015.

BACKGROUND

The Alameda Landing project has been in the planning process since the mid-2000s. In 2006, at the behest of the City of Alameda, a tenancing strategy for the retail project was prepared by Strategic Economics, an urban, regional, and real estate economics consulting firm. The purpose of the tenancing strategy was to generate a discussion of market niche for the project and provide examples of retailers to test the merits and limitations of potential retail tenant categories for the shopping center. This tenancing strategy was integral to the approval of the Project’s original Disposition and Development Agreement (DDA) in 2006.

Following the preparation of the original tenancing strategy and DDA, the Alameda Landing Project was put on hold. In the meantime, Catellus’ concept for the retail center has shifted, and now includes the potential for a grocery store anchor tenant to maximize retailer diversity. Such a tenant was not contemplated in the original Project mix but its inclusion will provide for broader tenancing options. In addition, the interim economic recession and numerous changes in the retail sector due to retailer failures, consolidations, and emergence of new retailers all suggest a need to update the tenancing strategy to reflect more current retail dynamics and market conditions. This document, therefore, comprises this update to the 2006 tenancing strategy for Alameda Landing.

PROPOSED ALAMEDA LANDING RETAIL PROGRAM

Based upon typical shopping center tenant mixes, current retail programming plans, and tenant expectations, Catellus provided ALH Economics with a prospective breakdown of the Alameda Landing retail space by type of retail tenant. The breakdown is summarized in Table 1, below. This breakdown is illustrative in informing the tenant search process, but is necessarily flexible depending upon the type and level of interest received from prospective tenants. As a diversity of demand for the space is expressed, prospective tenant types may shift to best accommodate market demand.

Table 1
Alameda Landing Retail Shopping Center
Prospective Tenant Types and Square Footage Range

Tenant Type	Square Feet Range	Percent
Target Store	140,000	49.1%
Grocery/Other	30,000 - 50,000	10.5% - 17.5%
Other Retail (1)	30,000 - 40,000	10.5% - 14.0%
Building Materials/Other	35,000	12.3%
Apparel & Accessories	18,000 - 35,000	6.3% - 12.3%
Restaurants and Specialty Food	20,000 - 30,000	7.0% - 10.5%
Furniture & Home Furnishings	10,000 - 15,000	3.5% - 5.3%
Service Retail	5,000 - 10,000	1.8% - 3.5%
Total	285,000	100.0%

(1) Includes a broad range of retail, such as sporting goods, office supplies, pet supplies, art goods, books, etc.

Sources: Catellus, Inc.; and ALH Urban & Regional Economics.

The Target store, which is a general merchandise retailer, will represent the bulk of the Project's retail space at 49.1% of the total. The next largest prospective tenant space, with 30,000 - 50,000 square feet, comprises an additional 10.5% to 17.5% of the total. This space could be suitable for a grocery store tenant or an alternate major retailer if grocery stores do not seek occupancy at Alameda Landing. The same is the case with the 35,000 square feet noted for a building materials retailer. If this type of tenant is not secured for the Project the space would be available for another retailer with similar space needs. The remaining prospective tenants span a range of retail categories, including building materials, apparel, restaurants, furniture and home furnishings, service retail, and other retail, which is a broad category including a wide variety of retailers, such as sporting goods, pet supplies, and office supplies.

The ranges of tenant categories are representative of many community centers, with typical square footage allocations by type of retail. For example, according to the International Council of Shopping Centers (ICSC), community centers, which are characteristic of the total size of the Alameda Landing Shopping Center, typically have 15% of total shopping center space devoted to food services & drinking places.¹ The prospective allocation of food service & drinking places for Alameda Landing is actually less than this amount, ranging from 7.0% - 10.5% of the total Project space. The Project's prospective range of food service & drinking places will allow the Project to maximize its ability to attract a diversity of tenants and meet a range of Alameda resident shopping needs, and at the same time preserve capacity for these uses in other parts of the city.

The retail program also includes a low percentage allocation for service retail, with 5,000 – 8,000 square feet comprising 1.8% - 2.8% of the total retail square footage. These uses include financial institutions such as banks or credit unions and personal services such as hair and nail salons. These uses are conveniences and will help attract shoppers to the shopping center. However, they do not generate sales tax revenues, and thus are not a net revenue generator for the City of Alameda pursuant to sales tax receipts. Accordingly, for this category the City of Alameda seeks to establish a cap in total square footage. Catellus has agreed to a cap of 10,000 square feet for up to the first two years of the shopping center's operations commencing from the first tenant opening, covering the Project's initial lease-up period.

The suitability of the identified categories and anticipated space allocations for the Project's retail tenants can best be assessed in the context of analyzing Alameda's retail base relative to resident retail demand. This is accomplished in the following section, which determines the extent to which the Alameda retail base meets the basic retail shopping needs of Alameda residents and identifies prospective future retail opportunities based on the findings.

¹ International Council of Shopping Centers (ICSC), U.S. Shopping Center Definitions, July 2011.

II. ALAMEDA RETAIL SALES LEAKAGE AND ATTRACTION

APPROACH

ALH Economics uses a retail model that estimates retail spending potential for an area based upon household counts, income, and consumer spending patterns. The model then computes the extent to which the area is or is not capturing this spending potential based upon taxable sales data published by the State of California Board of Equalization (BOE) or provided by local government municipal tax consultants. This analysis can be most readily conducted for cities, groupings of cities, or counties, consistent with the geographies reported by the BOE.

For any study area, retail categories in which spending by locals is not fully captured are called “leakage” categories, while retail categories in which more sales are captured than are generated by residents are called “attraction” categories. This type of study is generically called a retail demand, sales attraction, and spending leakage analysis. Generally, attraction categories signal particular strengths of a retail market while leakage categories signal particular weaknesses. ALH Economics’ model, as well as variations developed by other urban economic and real estate consultants, compares projected spending to actual sales.

For the purpose of generating a Retail Demand, Sales Attraction, and Spending Leakage Analysis for the City of Alameda, ALH Economics obtained taxable retail sales data for mid-2009 through mid-2010 as reported by the BOE and adjusted the taxable sales to reflect total, more current sales. These were the most recent BOE data available at the time the study was conducted. Using the retail sales data, combined with a household count estimated by the U.S. Census and an average income estimate provided by Claritas, Inc., ALH Economics conducted a Retail Demand, Sales Attraction, and Spending Leakage Analysis for the City of Alameda. This analysis compared total estimated household spending to actual retail sales.

KEY INDICATORS

The Retail Demand, Sales Attraction, and Spending Leakage Analysis requires several key data points to support the analysis. These include the study area’s estimated retail sales base, estimated household count, and average household income. Exhibit 1 presents the retail sales base for the City of Alameda. In approximately the 2010 timeframe the base totaled \$540.4 million. This is inclusive of an estimate for general merchandise sales, which are not typically reported for Alameda by the study’s data source because of a limited supply and associated concerns about confidentiality.

Corresponding with the 2010 timeframe, Alameda had an estimated 32,351 households. Based on this household count, the sales base averages almost \$17,000 per household. At the same time, household incomes in Alameda averaged almost \$95,000. Thus, retail sales captured by Alameda retailers were equivalent to 18% of household incomes. For households in the \$95,000 income range, retail spending is typically much higher, such as in the range of 30%. Alameda households are likely spending this amount on retail, but it is not getting captured by Alameda retailers.

FINDINGS AND RETAILER IMPLICATIONS

General Findings

The Retail Demand, Sales Attraction, and Spending Analysis findings for Alameda are presented in Exhibit 2. These findings further demonstrate the low amount of resident retail sales captured by Alameda retailers. While the findings indicate the average household in Alameda spends almost \$30,000 a year on retail sales the city's retailers capture the equivalent of only just more than one-half this amount, or \$16,844 per household.

The low retail capture from Alameda households is generally uniform across all major retail categories. This is demonstrated in Exhibit 2, which shows the estimated aggregate household demand by type of retail compared to actual retail sales achieved by Alameda retailers. The difference indicates the estimated amount of retail leakage or attraction for each retail category. Every category but food & beverage stores in Alameda experiences retail sales leakage, with leakage typically exceeding 50% of resident spending potential. The overall average amount of retail leakage across all the retail categories is 44% of household retail demand. This means that the Alameda retail sales base is under-retailed and residents need to leave the Island to fully satisfy their retail shopping needs in almost every single way other than food & beverage shopping.

More specific findings by retail category are presented below. This also includes a discussion of the implications for the Alameda retail base relative to amount of supportable retail and representative retailers. This provides a backdrop to the prospective retail tenanting strategy for Alameda Landing.

To estimate supportable square footage representative retailer sales performance figures are cited. These are sourced to a retail industry publication, Retail Maxim's *"Alternative Retail Risk Analysis for Alternative Capital,"* July, 2011. The Retail Maxim publication provides average sales per square foot figures for many national retailers and aggregates the data by specific retail categories. Retail Maxim's most recent publication cites figures for 2010. The figures reported by Retail Maxim are national averages. While retail locations in the west or California sometimes outperform national averages, this report is benchmarked to the national averages for the sake of internal consistency. This resource is complemented by ChainLink Retail Advisor's *"National Retailer & Restaurant Expansion Guide Spring 2012,"* which presents minimum and maximum square footage store requirements for numerous retailers throughout the United States, including growth plans for over 2,400 major retail and restaurant chains.

Retail Leakage Categories

Strongest Leakage Categories. There are three retail categories with retail leakage comprising 80% or more of resident spending potential. These categories, and the associated amount of retail leakage in 2010, are as follows:

- General Merchandise, \$137.2 million;
- Motor Vehicles & Parts Dealers, \$124.1 million; and
- Building Materials & Garden Equipment, \$68.9 million.

The leakage in the **General Merchandise** category means that Alameda does not have a sufficient number of stores providing the type of broad merchandise typically sold by general merchandise stores. These stores include department stores, warehouse clubs, discount stores, and dollar stores.

Prominent examples of these types of stores include Target, Macy's, Sears, J.C. Penney, Costco, Sam's Club, Walmart, Dollar Tree, and Big Lots. This is a wide gamut of stores, but the Board of Equalization's lack of sales disclosure in this category means that Alameda lacks depth in this market segment, regardless of store orientation. The retail sales performance of these stores varies widely, such as average 2010 sales of \$990 per square foot at Costco, \$282 at Target, to \$168 per square foot at Dollar Tree. Selecting \$300 as a representative average sales per square foot performance figure in this category suggests that Alameda has the potential to support more than 450,000 additional square feet in general merchandise stores.

The merchandise mix at these types of stores crosses over a number of product lines, depending upon the store and its price points. The types of products routinely available at general merchandise retailers include clothing, housewares, food, jewelry, electronics, sporting goods, books, office supplies, furniture. As with sales performance, the sizes of these types of stores vary widely, with examples including the following:

- Walmart, 95,000 – 235,000 square feet
- Macy's, 50,000 – 200,000 square feet
- Sam's Club, 70,000 – 190,000 square feet
- Sears, 90,000 – 190,000 square feet
- Target, 80,000 – 178,000 square feet
- Costco Wholesale, 115,000 – 150,000 square feet
- JC Penney, 84,000 – 104,000 square feet
- Big Lots, 26,000 – 30,000 square feet
- Factory 2-U, 18,000 – 30,000 square feet
- 99 Cents Only, 10,000 – 25,000 square feet
- Dollar Tree, 8,000 – 12,000 square feet

With up to 450,000 square feet of general merchandise space supportable by Alameda households there is the potential for a mix of new general merchandise retailers to be successful in Alameda, including retailers with both large and modest space demands. The anticipated Alameda Landing Target store will significantly close the gap in this retail category, yet additional demand will still persist in Alameda. However, since Target will comprise such a significant general merchandise presence at Alameda Landing, it is unlikely that any other major general merchandise retailer will also locate at the shopping center.

The **Motor Vehicles & Parts Dealers** leakage indicates that Alameda does not have a strong automobile sales or auto parts market. This includes new car dealers, used car dealers, other motor vehicle dealers, and auto parts, accessories, and tire stores. Because of the lack of available land to support substantial auto dealer development, Alameda is unlikely to have the potential to develop a major motor vehicle market. However, the potential remains for auto parts, accessories, and tire stores. These types of stores include retailers such as Pep Boys, O'Reilly, Auto Zone, Jiffy Lube, and Big O Tire stores. These stores typically perform in the \$200 per square foot range with space requirements as follows:

- Pep Boys, 5,000 – 15,000 square feet
- Auto Zone, 6,500 – 8,000 square feet
- O'Reilly, 6,800 – 7,300 square feet
- Jiffy Lube, 2,000 – 2,500 square feet

Because the sales leakage in this category is dominated by vehicle sales the amount of supportable space for auto parts, accessories, and tire stores cannot be determined, but it is likely to be a small component of the overall leakage given the relatively large expenditure required to purchase a new or used vehicle.

The leakage in the **Building Materials & Garden Equipment** category indicates that Alameda is under-retailed in categories associated with home and building improvement. Stores that represent this category include hardware stores, home improvement stores and building materials stores, and plant nurseries. These stores include big box stores such as The Home Depot and Lowe's Home Improvement Warehouse; hardware and building materials stores such as Orchard Supply Hardware, Harbor Freight Tools, Tractor Supply, or independent hardware stores associated with Ace or True Value; home improvement stores such as carpet, flooring, paint, and glass stores; and specialized plant nurseries. Even with the two locations of Pagano's Hardware Mart in Alameda strong leakage in this category persists.

Average retail sales performance in this category includes \$248 and \$289 at Lowe's and Home Depot, respectively, and \$147 (in 2011) at Orchard Supply Hardware.² Using the average of the range of sales performance represented by these retailers, or \$220 per square foot, the \$68.9 million in estimated building materials & garden equipment retail leakage is equivalent to local support for 313,182 square feet of new store space. There are a number of stores that can satisfy this type of demand. Some of the representative stores and their typical store sizes are as follows:

- Lowe's Home Improvement Warehouse, 90,000 – 150,000 square feet
- The Home Depot, 125,000 – 135,000 square feet
- Orchard Supply Hardware, 25,000 – 60,000 square feet
- True Value, 4,000 – 32,000 square feet
- Ace Hardware, 3,000 – 25,000 square feet
- Tractor Supply, 17,000 – 20,000 square feet
- Harbor Freight Tools, 12,000 – 15,000 square feet
- Do It Best, 12,000 – 15,000 square feet
- Sherwin-Williams, 3,000 – 5,000 square feet

Because there is a Home Depot located in Oakland just beyond the boundaries of Alameda it may be unlikely that Alameda would attract a large home improvement retailer like Home Depot or Lowe's despite the amount of supportable space in this category. However, there appears to be substantial potential for other, smaller retailers in this general niche to be supported by Alameda household spending.

Moderate Leakage Categories. There are two retail categories with retail leakage totaling between \$20.0 and \$60.0 million in retail sales leakage in 2010. These categories are **Gasoline Stations** with \$57.1 million in lost sales potential, comprising 54.2% sales leakage, and **Food Services & Drinking Places** with \$29.0 million in lost sales potential, comprising 24.1% sales leakage.

Of note, the **Food Services & Drinking Places** category reflects a wide range of dining and drinking opportunities, such as formal dining, casual dining, family dining, specialty restaurants, fast food chains, pizza chains, sandwich shops, coffee shops, juice bars, brew pubs, night clubs, and bars. Examples of retailers in this category include BJ's Restaurant and Brewery, Ruby Tuesdays, PF Chang

² Derived from the Orchard Supply Hardware SEC 10-K report filed on 4/27/2012.

Bistro, California Pizza Kitchen, La Boulange, Panera Bread, Peets Coffee, and Coffee Bean & Tea Leaf or Coffee Beanery as well as numerous independent restaurants. Average sales vary considerably by type of restaurant, but the restaurant category performed at a general average of about \$430 per square foot in 2010, with the range defined by such food establishments as Krispy Kreme Doughnuts at \$290 per square foot and Cheesecake Factory at \$852 per square foot. This \$430 per square foot figure is relatively high compared to the averages applied to the preceding retail categories. Thus, this retail category has strong potential to generate sales tax revenues for the City of Alameda.

At the \$430 per square foot average the \$29.0 million in local retail leakage in this category could support an estimated 67,000 square feet of restaurant and bar space. This could be equivalent to a number of new restaurants and eating or drinking places, represented by the following square footages:

- BJ's Restaurant and Brewery, 8,000 – 9,000 square feet
- PF Chang Bistro, 6,000 – 7,000 square feet
- California Pizza Kitchen, 4,500 – 6,500 square feet
- Ruby Tuesdays, 4,600 – 5,400 square feet
- Panera Bread, 3,500 – 5,000 square feet
- Peets Coffee, 1,500 – 2,000 square feet
- Frozen Yogurt, 1,000 – 2,000 square feet
- Cold Stone Creamery, 900 – 2,000 square feet
- Coffee Bean & Tea Leaf, 1,200 – 1,800
- Jamba Juice, 1,200 – 1,400 square feet
- Coffee Beanery, 700 – 1,500 square feet

Alameda Landing's 20,000 – 30,000 square feet of proposed restaurant & specialty food space will comprise less than one-half the amount of space identified as supportable given the City of Alameda's estimated \$29.0 million in restaurant leakage. Therefore, even with the prospective restaurant space at Alameda Landing there will remain demand for more than another 30,000 square feet of additional restaurant & specialty food retailer space.

Remaining Leakage Categories. There are three remaining major retail categories with retail leakage in Alameda. These categories all have less than \$ 20.0 million in retail leakage, yet in most cases still comprise a high percentage of leakage relative to resident spending potential. These categories and the amount and percentage of retail leakage are as follows:

- Clothing & Clothing Accessory Stores with \$19.6 million in leakage, or 44.2% of resident spending potential;
- Home Furnishings & Appliance Stores with \$13.5 million in leakage, or 48.3% of resident spending potential; and
- Other Retail, comprising a wide range of retailers such as health and personal care, gifts, sporting goods, office supplies, pet supplies, etc., with \$5.8 million in leakage, or 5.1% of resident spending potential.

The **Clothing & Clothing Accessory Stores** category includes a broad range of clothing items serving women, men, and children. This includes formal wear, casual wear, business attire, shoes, purses, belts, and maternity wear. Retailers can include boutiques, off-price retailers, and even some department-type stores that primarily sell apparel. Examples of clothing and accessory stores abound, including stores as varied as Marshalls, Chicos, Joseph A. Banks, Coldwater Creek, Wet Seal,

Footlocker, Tilly's, The Children's Place, DSW, Famous Footwear, Men's Wearhouse, Justice for Girls, Ann Taylor Loft, and Zumiez.

The sales performance of clothing & accessory stores varies, with sales per square foot potentially ranging from \$705 at Anthropologie to \$187 at Famous Footwear. Using a general overall average of \$350 per square foot suggests the ability for Alameda to support an additional 56,000 square feet of apparel stores just to serve the shopping needs of Alameda residents.

There are some apparel stores that typically require more square feet than the amount of unmet demand available in Alameda, yet there are others that require a relatively small amount of space, such that multiple clothing retailers could enter the Alameda market with demand still remaining. Examples of clothing and accessory store space requirements are as follows:

- Marshalls, 29,000 – 31,000 square feet
- DSW, 14,000 – 30,000 square feet
- Tilly's, 7,000 – 10,000 square feet
- Ann Taylor Loft, 4,500 – 7,500 square feet
- Children's Place, 4,000 – 7,000 square feet
- Coldwater Creek, 4,000 – 7,000 square feet
- Men's Wearhouse, 4,500 – 6,000 square feet
- Zumiez, 3,000 – 6,000 square feet
- Famous Footwear, 4,000 – 5,000 square feet
- Justice for Girls, 4,000 – 5,000 square feet
- Chicos, 2,000 – 5,000 square feet
- Footlocker, 3,500 – 4,500 square feet
- Wet Seal, 4,000 square feet

Based on these space requirements it appears that numerous additional apparel retailers are supportable in Alameda, likely best oriented to meet a range of resident clothing and related needs.

The **Home Furnishings & Appliance Stores** category includes stores selling housewares, furniture, and appliances. Retailers include larger big box stores as well as smaller to mid-sized housewares retailers such as Tuesday Morning, Pier 1 Imports, Restoration Hardware, Cost Plus, and HomeGoods. These housewares stores are complemented in the category by furniture stores such as Ethan Allen, Bassett Furniture, Sleep Train, and numerous independent furniture retailers and appliance stores such as Sear's Appliances. Many appliances are also sold at home improvement and department stores, such as Home Depot, Lowe's, and Sears. Sales per square foot performance in this category includes a range defined by Tuesday Morning's \$107 per square foot, Ethan Allen's \$184 per square foot, and higher for HomeGood's \$242 per square foot. Assuming a \$225 per square foot average sales performance figure and the \$13.5 million in estimated retail leakage results in a 60,000-square-foot estimate of supportable space in this category.

The space requirements of retailers representative of this category are as follows:

- HomeGoods, 24,000 – 28,000 square feet
- Bassett Furniture, 15,000 – 20,000 square feet
- Tuesday Morning, 8,000 to 18,000 square feet
- Ethan Allen, 10,000 – 15,000 square feet

- Pier 1 Imports, 8,500 – 10,000 square feet
- Sleep Train, 4,000 – 8,000 square feet

Given the size requirements of these representative retailers, there appears to be potential for small to mid-sized retailers in this general niche to be supported by the Alameda household spending.

The final major retail category with retail leakage is the **Other Retail** category. This is a very broad category that includes numerous types of retailers, such as electronics, sporting goods, pet supply, office supply, books, music, gifts, and jewelry. A multitude of retailers can satisfy this need, with hundreds of potential examples. At a generic \$300 per square foot sales performance figure the \$5.8 million in Other Retail leakage could support only about 19,300 square feet of retail space. However, this category is so broad that most likely numerous additional retailers could successfully locate and operate in Alameda, as long as they do not result in saturation in any particular type of retail product.

The following retailers are provided as select examples of the types of retailers that could fulfill resident demand in the Other Retail category, including personal care.

- Best Buy, 8,000 – 58,000 square feet
- Sports Authority, 35,000 – 50,000 Square feet
- REI, 23,500 – 30,000 square feet
- Staples, 10,000 – 18,000 square feet
- Guitar Center, 10,000 – 16,000 square feet
- Sephora, 5,200 – 5,500 square feet
- Hallmark, 3,000 – 4,000 square feet
- Vitamin Shoppe, 2,500 – 4,000 square feet
- Bath & Body Works, 2,500 – 3,000 square feet
- Radio Shack, 2,400 – 2,600 square feet
- Bare Escentuals, 1,000 – 2,000 square feet
- Things Remembered, 1,400 – 1,800 square feet
- Claire's Accessories, 1,000 – 1,800 square feet
- Papyrus, 800 – 1,500 square feet
- Gamestop, 1,100 – 1,300 square feet
- Sunglass Hut, 800 – 1,200 square feet

Aside from these retailers, numerous small, independent gift or novelty stores would also qualify as satisfying resident demand in Other Retail. These could include a small pet supply store, an art gallery or art supply store, a toy store, or a picture framing shop.

Retail Attraction Category

There is one retail category in Alameda with sales attraction, i.e., a category in which more sales are captured than are generated by residents. This is the **Food & Beverage Stores** category, which includes all grocery stores, food convenience stores, and liquor stores. The level of attraction in 2010 totaled \$34.7 million, which was equivalent to 17.9% of all Food & Beverage Store sales. This indicates that, on balance, 17.9% of Alameda's food & beverage sales originate from off Island residents. A likely source of some of this outside demand is people who work in Alameda but live elsewhere. Research findings from ICSC indicate that workers often conduct retail purchases near their work location. ICSC's recent 2012 survey on the subject indicated that the average office worker spent

approximately \$850 to \$2,000 a year on groceries in the community where they work.³ Similar spending likely occurs by workers in other industries in proportion to their incomes. According to the U.S. Census Bureau there were 27,831 people working in Alameda in 2010, 7,720 of whom were Alameda residents. Thus, there were 20,111 nonresident workers in Alameda in 2010. If each of these workers spent only the minimum office worker estimate on food stores in the community where they work this would account for \$17.0 million of food sales, or one-half the city's amount of sales attraction. If workers spent twice this amount, which is still within the range of ICSC's survey findings, this would account for all of Alameda's food sales attraction.

In addition to people who work in Alameda and live elsewhere, another source of outside demand in the food & beverage stores category comprises nearby residents in Oakland. The areas of Oakland in closest proximity to Alameda are not well supplied with grocery store options, with the limited choices primarily including Lucky and Smart & Final. Therefore, nearby Oakland shoppers seeking more variety in food shopping options likely account for a portion of sales achieved by Alameda grocery stores.

Alameda's retail attraction in the food & beverage stores category indicates this is a retail sector of strength for Alameda. This is especially the case given the relatively strong performance of most Alameda food stores. ALH Economics analyzed food store performance data in Alameda generated by Nielson Trade Dimensions, an independent resource for business and economic data. These data provide estimates of store sales and selling square feet, from which annual average store sales per square foot can be deduced. These data were acquired by ALH Economics pursuant to a confidentiality agreement indicating that individual store performance data will not be disclosed; however, discussing store sales trends is acceptable pursuant to this agreement.

The City of Alameda is characterized by a wide range of food shopping opportunities, including conventional grocery stores such as Lucky, Safeway, and Nob Hill as well as small specialty produce, meat, and seafood markets, such as the Natural Grocery Store, Dan's Fresh Produce, Baron's Meat & Poultry, and JP Seafood. Notably, there is no larger specialty market in the city, aside from Trader Joe's, which has a broad range of items with a strong focus on prepared foods but not a lot of product depth. With the options available, Alameda residents and workers can readily choose to shop at full-size grocery stores or small, independent markets. Of all these food stores, only one is located on the side of the Island near the Alameda Landing Project site. This is the Lucky store in the Marina Village Shopping Center. This lack of equal distribution of food stores in Alameda suggests that a food retailer at Alameda Landing will be well poised to serve existing and especially future demand given long-term growth prospects for the western part of the Island.

Based on industry wide performance standards, the average grocery store achieves average sales of \$535 per square foot.⁴ This figure is an industry standard, with wide variations by type of grocer. For example, specialized food stores such as Trader Joe's achieve substantially higher sales per square foot figures, while most discount-oriented food stores achieve lower per square foot figures. Notably, Alameda is not characterized by discount food retailers. In addition, more conventional grocery stores tend to have a lower industry standard than the overall supermarket average, such as \$460 in 2010 for conventional multiregional stores as reported by the Retail Maxim resource relied upon for this study.

³ The range is attributable to urban vs. suburban locations, with or without ample retail bases.

⁴ Pursuant to the previously cited Retail Maxim publication.

Pursuant to the Nielson Trade Dimensions data obtained for Alameda food stores, almost all the food store retailers in Alameda are exceeding the industry average sales volume figure, with Trader Joe's substantially exceeding even its 2010 national average figure of \$1,941.⁵ An exception to this above average sales performance in Alameda is the Safeway on Bay Farm Island and one or two of the city's smaller markets. However, across the markets in Alameda included in the Nielson Trade Dimensions database, and excluding the high performing Trader Joe's, the average store achieves sales of over \$840 per square foot of sales area, which converts to over \$750 per square foot of store space assuming a ratio of 10% non-sales space.

Stores that achieve less than these amounts are still typically performing above the cited conventional multiregional store average. This includes the grocery store in closest proximity to Alameda Landing, the Lucky store at Marina Village, as well as the more distant Nob Hill grocery at Bridgeside Shopping Center. Separate data obtained by Terranomics Retail Services, retail consultants to Catellus Development Corporation, validate these findings that the typical grocery store in Alameda greatly outperforms industry standards.

⁵ Trader Joe's average performance indicator from Retail Maxim, "Alternative Retail Risk Analysis for Alternative Capital", July 2011, page 24.

III. TENANTING STRATEGY

MARKET NICHE

Alameda Landing seeks to meet the needs of Alameda's shoppers while developing a critical land parcel in the City of Alameda. The Project is proposed to be anchored by a Target store. Target is committed to the development project and will provide a major general merchandise retail shopping opportunity for Alamedans. The retail leakage findings indicated a strong need for general merchandise retailing in Alameda, which Target is well-positioned to satisfy.

Target is a very popular retailer, with existing stores in the region performing well, especially the relatively new store in Emeryville, which is consistently busy. Target has the unique ability to fit into a range of retail locations, pairing equally well with upscale tenants in large regional-serving malls, in older community-oriented shopping centers, or in stand-alone locations.

The identity of Alameda Landing's mini anchor tenants will be critical to determining the market orientation of the center. If the mini anchors are relatively more upscale, specialty tenants then the Project will be positioned as an upscale center with the potential to draw from a regional base. If the mini anchors are instead more traditional or conventional, then the Project may have a more constrained regional draw and generate a lower sales volume and corresponding sales taxes to the City of Alameda. Catellus' intent will be to provide a high quality, more upscale shopping opportunity for Alameda.

Grocery stores are an example of the type of retailer that can help establish the market orientation of a retail center. Alameda Landing's prospective tenant mix includes 30,000 – 50,000 square feet of space that could be suitable for a grocery tenant, or an alternative tenant. The retail industry currently has a number of specialty-oriented grocers that would locate in a 30,000-square-foot space. These grocery stores include specialty grocers such as Whole Foods, New Leaf, Sunflower Market, and Sprouts. In contrast, a more conventional grocery store such as Safeway would likely require the 50,000 square feet proposed for a grocer. If secured as a tenant, a more specialty-oriented grocery store would serve to set the Alameda Landing Shopping Center apart from all other shopping centers in Alameda and in the surrounding region. This store could provide a unique draw and would complement the existing full-scale grocery stores and small independent markets distributed throughout Alameda, mostly on the eastern side of the Island. This will especially be the case as more residential development occurs in the long-term on the west side of the Island. A specialty-oriented grocery store would also likely pose less competitive pressure for the nearby Lucky store, with a different product mix, orientation, and customer base.

The identity of a grocery store co-anchor tenant or other co-anchor tenant could influence the pool of the Project's prospective retail tenants. A specialty grocer or other anchor with a more high end orientation could enable Alameda Landing to attract a more upscale set of shop tenants, who would be drawn by the unique orientation and corresponding ability to draw from both the City of Alameda and the wider region. Given the depth of retail leakage in Alameda the Project should have the potential to draw from a wide pool of prospective tenants regardless of the identity of a grocery store or other co-anchor, but the product pricing and orientation of these tenants will vary depending upon the co-anchor.

Table 2, below, includes paired examples of tenants that could be attracted to the Project based upon the orientation of a grocery store or other Project anchor tenant. These pairings include tenants in the same category, but with a different price point and product orientation, such as DSW with a specialty grocery or other high end tenant versus Marshalls with a more conventional grocery or other tenant.

Table 2
Comparative Shop Tenants by Prospective Anchor Orientation

Retail Category	Grocery/Other Anchor Orientation	
	Specialty/High End	Conventional
Specialty Food	Peet's	Starbucks
Restaurant	La Boulange; The Counter	Panera Bread; Five Guys Burgers and Fries
Sporting Goods	REI/Any Mountain	Sports Authority
Clothing	DSW	Marshalls
Home Furnishings	Restoration Hardware	Tuesday Morning

Source: ALH Urban & Regional Economics.

In summary, the more unique the co-anchor tenant is then there is the potential for a correspondingly unique set of other tenants for the Project. For example, The Counter is a full-service burger restaurant located in some of the Bay Area's more exclusive retail settings, such as Santana Row in San Jose and University Avenue in Palo Alto. While not yet present in the East Bay, the chances are much greater that a burger restaurant of this caliber will locate at Alameda Landing if a specialty grocery or high end anchor is paired with the Target store than if a more conventional grocery or other anchor prevails.

While a more unique co-anchor tenant would help the Project achieve an upscale orientation, the Project has the potential to be both successful and a strong addition to Alameda's retail base regardless of orientation of the co-anchor tenant. Even with a more conventional grocery store anchor, such as Safeway, or another anchor tenant, the Project will serve the unmet shopping needs of Alameda residents as discussed below, especially residents located on the western side of the Island, where there is a strong existing and prospective residential base.

LEAKAGE RECAPTURE AND REPRESENTATIVE RETAILERS

Regardless of the market orientation of Alameda Landing's prospective mini anchors, the Project's prospective retail mix is presented in Exhibit 3. This is the same mix as presented earlier in Table 1. This mix is categorized in accordance with the retail categories reflected in the Retail Demand, Sales Attraction, and Spending Analysis. The purpose of Exhibit 3 is to demonstrate how the proposed retail mix corresponds with retail gaps and opportunities available in Alameda, since Alameda's retail base does not fully meet the shopping needs of Alameda residents. This is the case with all identified retail categories except the food & beverage stores category, which includes grocery stores and liquor stores, but not specialty food retailers such as coffee shops or juice bars. It is expected that the

Project's commercial brokers will work to attract tenants not already available in Alameda. Priority will be given to segments that do not already have market representation.

As referenced earlier, the tenant mix and distribution of tenant spaces is illustrative in informing the tenant search process. However, at this stage the Project requires flexibility depending upon the type and level of interest received from prospective tenants. As demand for the space is expressed, prospective tenant types may shift to best accommodate market demand.

Alameda Landing Leakage Recapture

The proposed retail mix corresponds to most, but not all retail leakage categories present in Alameda. Two major categories are not reflected, including motor vehicles & parts dealers and gasoline stations. These uses are not typically conducive to inclusion in a community-scale shopping center such as the 285,000 square feet proposed for Alameda Landing, with the possible exception of some auto parts retailers. However, Catellus seeks to provide a high quality, more upscale shopping opportunity for Alameda, and thus a tenant of this nature is not an optimal fit with this niche.

Among the retail categories represented at Alameda Landing, the retail leakage totals \$274.0 million. Based upon the range of sales per square foot figures presented earlier, this equates to unmet demand for almost 1.0 million square feet of retail space (see Exhibit 3). As a whole, Alameda Landing will satisfy a sizable portion of this unmet demand, greatly facilitating the ability of Alameda residents to maximize their shopping opportunities close to home, yet still leaving opportunities for other retailers to enter the market.

As presented in Table 3 on the following page, these remaining shopping opportunities will occur in most, but not all retail categories. Table 3 presents the prospective categories of retail for the Project, the retail leakage capture rate required to fully absorb the Project's space, and the remaining capacity of unmet demand in Alameda. In five of the cited categories, the associated capture rate is less than 100%, ranging from 16.7% in furniture & home furnishings to 62.5% in apparel & accessories. All of the categories include general merchandise, building materials, apparel & accessories, restaurants & specialty food, and furniture & home furnishings. Thus, unmet demand for retail space, or remaining retail capacity, remains in these categories, ranging from 21,000 square feet in apparel & accessories to 317,333 square feet in general merchandise. In all likelihood a good portion of demand for Alameda Landing will originate from outside Alameda, so these local Alameda demand capture rates may be less than cited, further providing opportunities for yet other retail opportunities new to the city.

Alameda Landing Contribution to Retail Attraction

There are two retail categories where Alameda Landing's proposed uses will exceed unmet demand. These include: 1) the Other Retail category, which has some identified retail leakage, and 2) the Food & Beverage category, which is an attraction category (i.e., a category in which more sales are captured than are generated by residents). For these categories, since the Project's space exceeds estimated amounts of supportable retail, the result will be the conversion to a retail sales attraction category for the other retail category and the strengthening of existing attraction in the food & beverage category.

The amount of attraction resulting in these categories after the Project's retail space is absorbed is estimated in Table 3 on the following page. The Project's prospective 30,000 to 40,000 square feet in the other retail category comprises 155.2% - 206.9% of the estimated 19,333 of supportable square feet to meet unmet demand. While the percentage figure is high, showing that the Project will absorb

all of the existing leakage and more, it results in only a scant 11,000 to 21,000 square feet of space supported by retail sales attraction (see Table 3). This is a low amount of space, and unlikely to comprise a threat to any existing Alameda retailers in the same broad retail category. Further, this amount of attraction might not actually materialize, depending upon the ultimate retailer that occupies the space. The retail sales and attraction model included in this analysis is not calibrated with fine detail for the range of retail goods encompassed in the other retail category. Therefore, some types of retail goods included in this category could actually be leakage categories while others could be attraction categories. If the other retailer that locates in the space is representative of a leakage category, then the likelihood is that no net new attraction will occur and Alameda residents will have the opportunity to retain their spending in Alameda.

Table 3
Alameda Landing Retail Shopping Center
Tenant Types Square Footages, Leakage Recapture, and Remaining Capacity

Tenant Type	Square Feet Range	Retail Leakage Capture Rate	Sq. Ft. Remaining Retail Capacity
General Merchandise	140,000	30.6%	317,333
Grocery/Other (1)	30,000 to 50,000	NA	-94,833 to -114,833 (2)
Other Retail (3)	30,000 to 40,000	155.2% to 206.9%	-10,667 to -20,667 (4)
Building Materials/Other	35,000	11.2%	278,182
Apparel & Accessories	18,000 to 35,000	32.1% to 62.5%	21,000 to 38,000
Restaurants & Specialty Food	20,000 to 30,000	29.7% to 44.5%	37,442 to 47,442
Furniture & Home Furnishings	10,000 to 15,000	16.7% to 25.0%	45,000 to 50,000
Service Retail	5,000 to 10,000	NA	0.0%
Total	285,000	NA	NA

(1) The grocery retail category is an attraction category, hence there is no leakage available for recapture.

(2) The existing retail sales attraction is equivalent to support for 64,833 square feet at \$535 per square foot. Adding in the prospective Alameda Landing grocery store would increase this excess to 94,833 to 114,833 square feet.

(3) Includes a broad range of retail, such as sporting goods, office supplies, pet supplies, art goods, books, etc.

(4) For the entire other retail category the Alameda Landing other retail space will result in a minor surplus of space to serve Alameda residents, converting this category into an attraction category for Alameda.

Sources: Catellus, Inc.; and ALH Urban & Regional Economics.

As cited earlier, the food & beverage category is an attraction category in Alameda, with \$34.7 million in sales attraction. Therefore, any net new grocery sales achieved by the Project's prospective grocery store will comprise additional retail sales attraction. On a supportable square foot basis, the existing grocery sales attraction is equivalent to an estimated 64,833 square feet, based on the \$535 per square foot industry standard sales performance figure. This suggests Alameda is already supporting 64,833 square feet more of grocery store space than one would expect is necessary to meet the needs of residents. However, the strong performance of Alameda's food stores indicates this relative surplus of space experiences no lack of demand. The addition of the Project's prospective

30,000 to 50,000 square feet could boost this attraction to the equivalent of approximately 95,000 to 115,000 square feet of grocery space in excess of what is required to meet the needs of just Alameda residents.⁶ This will be effectively strengthening Alameda's food sales base and providing opportunities for shoppers to explore other retail shopping opportunities in Alameda. Moreover, the prospective inclusion of a grocery store at Alameda Landing comprises a logical category of retail for this type of shopping center and is especially logical for the Project given its location on the western side of the Island, where there are relatively limited food shopping opportunities yet a strong existing and prospective residential base.

Alameda Landing Representative Retailers

The retail categories in Exhibit 3 are paired with representative retailers selected from the text. As referenced above, the individual tenants attracted to Alameda Landing will depend upon the identity of the mini anchors. Moreover, the Project needs to retain flexibility based upon prospective tenant decisions. For example, if a building materials store chooses not to locate in the 35,000 square feet considered suitable for such a store by Catellus, then the Project will require the ability to pitch this space to another tenant with similar space requirements, such as a sporting goods tenant, or be subdivided to meet the needs of multiple smaller tenants. In addition, given the depth of unmet demand for restaurants, Catellus may discover during the lease-up phase that the Project would benefit from more space being made available for restaurants and less for other retailing options. Flexibility in other ways may also be required prior to finalizing the lease up process.

While ALH Economics believes that flexibility should be paramount during the programming and lease up phase of Alameda Landing, the retail leakage analysis indicates that there are numerous opportunities for new retailers to enter the Alameda market and have the potential to achieve operational success. Prospective retailers are listed in Exhibit 3, such as REI and Papyrus for the spaces anticipated for other retail, La Boulange, Jamba Juice, and Peet's in the space designated for restaurants and specialty food, and HomeGoods in the space anticipated for furniture and home furnishings. As stated earlier, the more unique the grocery tenant or other anchor tenant is the greater the potential for Alameda Landing to have an upscale orientation. But regardless of the co-anchor tenant identification, the Project is anticipated to have the potential to attract a wide range of retailers with the ability to satisfy Alameda resident shopping needs and expand local shopping opportunities.

LEASE-UP IMPLEMENTATION

As cited earlier, Catellus seeks to provide a high quality, more upscale shopping opportunity for Alameda. There are numerous aspects of Catellus' implementation plan for the Project designed to support this objective. For example, Catellus has already executed a listing agreement with Terranomics, a highly regarded retail brokerage firm that is one of the largest brokerage firms in Northern California. Terranomics represents more than 100 national and regional retailers, many of which reflect the caliber of retailers desired by Catellus for Alameda Landing.

In association with Terranomics, Catellus will generate first class marketing materials suitable for web and print distribution. Through these materials, as well as personal outreach, Catellus' Project representatives will notify the retail brokerage community in Northern California of the Project, casting out to a wide network of real estate professionals in the Greater San Francisco Bay Area.

⁶ This level of attraction could be lower if a portion of Alameda Landing's prospective grocery store sales are achieved by diverted sales from existing Alameda grocery stores.

Catellus will develop a list of retail categories and prospective retailers within each category that they will be actively pursuing. They will maintain close contact with the City of Alameda throughout the Project's lease-up period. At the very minimum, Catellus will provide updates to the city at quarterly update meetings with the City Manager's Office, which will be required as part of the Project's DDA. Catellus can also provide monthly or more frequent e-mail communications to city staff.

Within each retail category on Catellus' list there will be local, regional, and national tenants that they will be targeting and reaching out to. As part of this outreach, Catellus' representatives will promote the Project at events sponsored by the ICSC. These events include ICSC's Idea Exchange, which is held every March in Monterey and provides informative sessions on retail trends and deal making opportunities; RECon, a global retail real estate convention held in Las Vegas in May, which is the world's largest gathering of retail real estate professionals that provides the opportunity to network, make deals, and learn from industry experts; the Western Division Conference and Deal Making held in San Diego in September, which offers opportunities to connect with tenants, industry experts, and build business relationships; and numerous trade shows scheduled throughout the year. Social media will comprise another method of outreach to prospective Alameda Landing retailers.

ICSC is best suited to outreach to regional and national retailers. At the right time, after regional and national retailers have been secured, Catellus will target outreach to local tenants to finish out the leasing program. This outreach will occur through individualized canvassing and personal contact.

Target is already a committed Alameda Landing tenant. With Target's commitment, Terranomics as the Project's retail leasing agency, and Catellus' numerous strategies planned to attract and secure tenants, ALH Economics believes Alameda Landing will be successfully leased and help strengthen the retail base on the western side of Alameda.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

ALH Urban & Regional Economics has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although ALH Urban & Regional Economics believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

APPENDIX: EXHIBITS

Exhibit 1
Alameda Landing
City of Alameda Market Area Sales Base
in Current Dollars
Second Half 2009 and First Half 2010

Type of Retailer	BOE Taxable Sales Figures					Sales Adjusted to Taxable Total
	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Total	
Motor Vehicle & Parts Dealers	\$6,268,000	\$8,178,000	\$7,869,000	\$6,657,000	\$28,972,000	\$28,972,000
Home Furnishings & Appliances	\$3,431,000	\$4,965,000	\$2,978,000	\$3,027,000	\$14,401,000	\$14,401,000
Building Materials & Garden Equip.	\$4,159,000	\$3,796,000	\$3,500,000	\$4,322,000	\$15,777,000	\$15,777,000
Food & Beverage Stores	\$13,937,000	\$16,636,000	\$13,411,000	\$14,244,000	\$58,228,000	\$194,093,333 (2)
Gasoline Stations	\$12,516,000	\$11,839,000	\$11,830,000	\$12,016,000	\$48,201,000	\$48,201,000
Clothing & Clothing Accessories	\$5,928,000	\$7,430,000	\$5,508,000	\$5,947,000	\$24,813,000	\$24,813,000
General Merchandise Stores	(1)	(1)	(1)	(1)	(1)	\$15,755,292 (3)
Food Services & Drinking Places	\$22,717,000	\$22,741,000	\$22,124,000	\$23,937,000	\$91,519,000	\$91,519,000
Other Retail Group	\$20,822,000	\$24,193,000	\$19,719,000	\$21,040,000	\$85,774,000	\$106,872,657 (4)(5)
Total	\$89,778,000	\$99,778,000	\$86,939,000	\$91,190,000	\$367,685,000	\$540,404,282

Sources: California State Board of Equalization (BOE), "Taxable Sales in California" reports, for Third Quarter 2009, Fourth Quarter 2009, First Quarter 2010, and Second Quarter 2010; Retail MAXIM's *Alternative Retail Risk Analysis for Alternative Capital*, July 2011; and ALH Urban & Regional Economics.

(1) The BOE does not release sales data for all categories due to concerns about confidentiality. Taxable sales in the categories not reported are reflected in the Other Retail Group category.

(2) Sales for Food & Beverage Stores have been adjusted to account for non-taxable sales; only 30 percent of all food store sales are estimated to be taxable.

(3) The BOE does not release General Merchandise sales data for Alameda. Claritas estimates that General Merchandise totals 2.9 percent of total retail sales in Alameda. This calculation was applied to the adjusted taxable total to derive the General Merchandise estimate. The Other Retail Group category was adjusted downward to reflect this estimate.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33 percent of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In Alameda County, drug store sales in Q3 2009, Q4 2009, Q1 2010 and Q2 2010 represented approximately 15.91 percent of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

(5) The total sales base is adjusted to exclude estimate Borders store sales, as the Borders store is no longer present in the Alameda retail marketplace. The analysis assumes average store size of 25,000 square feet (pursuant to various internet resources), with average sales of about \$180 per square foot per Retail Maxim.

Exhibit 2
Alameda Landing
Retail Demand, Sales Attraction, and Spending Analysis (1)
City of Alameda
2010
dollars in (\$000s)

Type of Retailer	Per Household (2)(3)		Alameda Household Demand (4)	Alameda Sales (5)	Retail Sales Attraction/(Leakage)	
	Spending	Sales			Amount	Percent
Motor Vehicles & Parts Dealers	\$4,732	\$896	\$153,092	\$28,972	(\$124,120)	(81.1%)
Home Furnishings & Appliance Stores	\$861	\$445	\$27,855	\$14,401	(\$13,454)	(48.3%)
Building Materials & Garden Equip (4)	\$2,618	\$488	\$84,702	\$15,777	(\$68,925)	(81.4%)
Food & Beverage Stores (5)	\$4,927	\$6,000	\$159,407	\$194,093	\$34,686	17.9%
Gasoline Stations	\$3,254	\$1,490	\$105,261	\$48,201	(\$57,060)	(54.2%)
Clothing & Clothing Accessories Stores	\$1,373	\$767	\$44,432	\$24,813	(\$19,619)	(44.2%)
General Merchandise Stores (6)	\$4,728	\$487	\$152,952	\$15,755	(\$137,196)	(89.7%)
Food Services & Drinking Places	\$3,726	\$2,829	\$120,553	\$91,519	(\$29,034)	(24.1%)
Other Retail Group (7)	\$3,482	\$3,443	\$112,661	\$106,873	(\$5,788)	(5.1%)
Total	\$29,703	\$16,844	\$960,915	\$540,404	(\$420,510)	(43.8%)

Sources: Claritas; 2010 U.S. Census; and ALH Urban & Regional Economics.

(1) All figures are expressed in constant 2010 dollars.

(2) The household spending estimates were generated by ALH Urban & Regional Economics' Retail Demand, Sales Attraction, and Spending Leakage Analysis.

(3) The household count is estimated at 32,351 per the 2010 U.S. Census. The analysis assumes an average household income in 2010 of \$94,785 as estimated by Claritas, Inc.

(4) Building Materials & Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.

(5) Sales for Food & Beverage stores have been adjusted to account for non-taxable sales; only 30 percent of all food store sales are estimated to be taxable.

(6) Sales for General Merchandise stores have been adjusted to account for non-taxable sales.

(7) Other Retail Group includes drugs stores, health and personal care, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

Exhibit 3
Alameda Landing
Proposed Tenant Categories and Capture of Retail Leakage
in 2010 Dollars

Retail Store or Category	Relevant BOE Category	Estimated Square Feet (1)	Representative Tenants	Retail Sales Leakage		Supportable Sq. Ft. (4)	Alameda Landing Capture Rate (5)
				Amount (in \$mill.) (2)	Sales/ Sq. Ft. (3)		
Target Store	General Merchandise	140,000	Target	(\$137.2)	\$300	457,333	30.6%
Grocery (6)	Food & Beverage Stores	30,000 - 50,000	Whole Foods, New Leaf, Sunflower Market, Sprouts, Safeway	NA	NA	NA	NA
Other Retail	Other Retail	30,000 - 40,000	REI, Papyrus, Bath & Body Works	(\$5.8)	\$300	19,333	155.2% - 206.9%
Building Materials	Building Materials & Garden	35,000	OSH or alternate use in a different retail category	(\$68.9)	\$220	313,182	11.2%
Apparel & Accessories	Clothing & Clothing Accessories	18,000 - 35,000	DSW, Marshalls, Justice for Girls	(\$19.6)	\$350	56,000	32.1% - 62.5%
Restaurants & Specialty Food	Food Services & Drinking	20,000 - 30,000	La Boulange, PF Chang, Panera Bread, Jamba Juice, Peet's	(\$29.0)	\$430	67,442	29.7% - 44.5%
Furniture & Home Furnishings	Home Furnishings	10,000 - 15,000	Restoration Hardware, HomeGoods, Tuesday Morning	(\$13.5)	\$225	60,000	16.7% - 25.0%
Service Retail	Non-Retail	5,000 - 8,000	Bank, Insurance, Mail Box	NA	NA	NA	NA
Total		285,000	-----	(\$274.0)	NA	973,290	NA

Sources: Catellus, Inc.; Retail MAXIM's *Alternative Retail Risk Analysis for Alternative Capital*, July 2011; and ALH Urban & Regional Economics.

(1) Square footage estimates are hypothetical. These square footages are illustrative for the purpose of informing the tenant search process.

(2) See Exhibit 2.

(3) Based on aggregate sales figures for stores representative of the cited BOE category. See text.

(4) Retail leakage divided by estimated sales per square foot. This is the amount of space that can be additionally supported by Alameda's 2010 population base, absent any consideration of retail attraction from outside Alameda.

(5) Hypothetical square footage by category divided into supportable square feet.

(6) The Grocery retail category is a retail sales attraction category. Hence, there is no leakage available for recapture. The addition of a new grocery store in Alameda will in all likelihood result in increased sales attraction in this category.